

**FINAL REPORT OF THE
INTERIM STUDY COMMITTEE ON
AGRICULTURE AND SMALL BUSINESS ISSUES**



**Indiana Legislative Services Agency
200 W. Washington Street, Suite 301
Indianapolis, Indiana 46204**

November, 2004

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2004

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INTERIM STUDY COMMITTEE ON AGRICULTURE AND SMALL BUSINESS ISSUES

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A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Committee can be accessed from the General Assembly Homepage at <http://www.state.in.us/legislative/>.

I. LEGISLATIVE COUNCIL DIRECTIVE

The Legislative Council directed the Committee to do the following:

1. Study issues related to the regulation of dog and cat sales and dog auctions (HR 27, SR 15)
2. Study issues concerning the development of the equine and agriculture industries in Indiana (HR 77, SR 53).

II. SUMMARY OF WORK PROGRAM

The Committee met four times during the 2004 interim at the Statehouse in Indianapolis.

The first meeting took place on July 16, 2004, and was devoted to hearing testimony on the issues of: (1) the BioCrossroads program; (2) a proposed Indiana Department of Agriculture; and (3) pet auctions.

The second meeting took place on August 23, 2004, and was devoted to hearing testimony: (1) concerning the economic impact of horse racing; (2) from specific segments of the equine industry; and (3) concerning the economic impact of other agriculture.

The third meeting took place on September 17, 2004, and was devoted to hearing testimony on the issues of: (1) the dog tax; (2) horse racing; and (3) dog auctions.

The fourth meeting took place on October 19, 2004, and was devoted to hearing testimony on PD 3381 (dealing with the dog tax); PD 3493 (dealing with gaming at horse racing tracks); and to considering the final report.

III. SUMMARY OF TESTIMONY

BioCrossroads

Ron Meeusen gave a presentation about BioCrossroads' (formerly known as the Indiana Life Science Initiative) goal to develop and improve the life-sciences industry in Indiana.

Proposed Indiana Department of Agriculture

Bob Kraft, State Government Director for Farm Bureau, explained why the Farm Bureau supported the creation of an Indiana Department of Agriculture. In response to Committee members' concern that creating a new department could be too expensive, create another layer of government, or overburden the Governor, the Farm Bureau agreed to provide a long-term fiscal

impact study on the creation of the Department of Agriculture, more detail concerning the organization and staffing of the Department of Agriculture, and information on how other states organize and staff their agriculture departments.

Pet auctions

Wendy Hoffspiegel of the Animal Advocacy Network of Indiana offered testimony that pet auctions were cruel and deceptive, and should either be eliminated or regulated by the state. Ms. Hoffspiegel informed the Committee that she would like for Indiana to adopt comprehensive statewide animal welfare laws, and not simply rely on existing animal cruelty laws, noting that 28 counties in Indiana had no animal control or animal shelter. Ms. Hoffspiegel believes that more funding is necessary at the local level for local animal control, although the state board of animal health may also have a role to play in controlling pet auctions. Betty Fendel of the Dubois County Humane Society testified about the conditions she witnessed at a recent dog auction in Odon, Indiana, and provided the Committee with photographs of the conditions under which dogs were kept during the auction. Linda Bir-Conn of the New Castle Humane Society also expressed dismay at the conditions she observed during the dog auction in Odon, Indiana.

Jennifer Londergan, an activist with the organization Pets Alive, purchased animals at the dog auction in Odon for her organization, and testified that all of the animals had health problems; in addition, the sellers had also misrepresented the age and breed of certain animals. Mary Lee Pappas read a summary of the written testimony of Andrea Taborn and Cynthia Ramsey that described an animal auction held in Montgomery, Indiana. The Committee also received a memo on dog auctions written by Representative Vaneta Becker.

Gary Haynes, Director of Legal Affairs for the State Board of Animal Health, testified that a license was required for livestock auctions, and for certain pet stores selling exotic animals, but was not required for dog auctions.

Economic Impact of the Horse Industry

Mark Russell, Purdue University Professor of Animal Science, discussed the recreational and social aspects of the horse industry in Indiana and testified that the effect of increasing funding for horses commonly used in recreational pursuits would increase the popularity of these activities.

Kevin McNamara, Purdue University Professor of Agricultural Economics, analyzed the economic impact of the equine industry. Dr. McNamara explained that the average wage paid to workers in the equine industry was \$22,000 per year, and that the economics of the industry were hurt by the fact that the industry was unable to expand further.

Jerry Walker of the Indiana Horse Racing and Breeding Coalition noted that an owner must spend between \$12,000 and \$18,000 per year to raise a thoroughbred, but would only receive between \$13,500 and \$15,500 for winning a race in Indiana, and that only 32% of horses nationwide win more than one race per year. Dr. Walker testified that permitting alternative gaming at horse tracks, such as pull-tabs, could provide support for breeder/owners and permit

racing to expand at no cost to the state. He estimated that racing could be a \$1 billion industry in Indiana.

Joe Gorajec, executive director of the Indiana Horse Racing Commission, explained how the success of racing was, in large part, determined by the size of the purses. Roy Wilson, of the Hancock County Economic Development Council, testified that the horse industry was responsible for 14,000 jobs and a \$430,000 payroll in Hancock County. Mr. Wilson also noted that the horse industry was responsible for \$2.5 million in capital improvement in Hancock County in the last three years.

Joe Koenig, executive director of the Indiana Department of Gaming Research, gave a presentation on horse racing purses and the riverboat subsidy, noting that the horse racing industry had suffered a 25%-40% decline in gross revenue, and that this decline tracked the decline in the average daily purse.

Testimony from Persons Working in the Equine Industry

Several breeder/owners testified how the decline in Indiana's equine industry affected them. Don Eash testified that he had recently invested approximately \$1 million in purchasing and upgrading facilities in Greenfield, and that he was afraid he would be forced to move out of state if the industry did not improve. Dr. Larry Smith estimated that approximately one-third of the yearlings sold in his area went to Ohio, and that Indiana would lose this business if Ohio enacted alternative gaming at horse tracks. Martin Bruner testified that his race horses made a profit of \$41,000 in 2001, but that if the same horses won the same races today, he would have lost \$22,000 due to the decline in the size of the purses. Larry Smallwood, manager of Swifty Farms in Seymour, Ind., testified that his business was down 30% in 2004. Michelle Collins testified that she would be forced to move to another state if the horse industry continued its decline. Dennis Bialaszewski, testified that while he previously bred all of his horses in Indiana, the decline of the Indiana horse industry has forced him to breed 75% of his mares out of state.

Business-owners involved in supporting the equine industry also testified how they were affected by the downturn in the horse industry. Dr. David Younts, president of the Indiana Equine Practitioners Association, testified that approximately 5% of equine veterinarians receive more than 50% of their income from the race industry, and that these receipts depended, in part, on the size of purses. He believed that horses would receive worse care if the purses were smaller. Jim O'Neal, president of the Indiana Forage Council, noted that while horses constituted 15% of the large animal population in Indiana, they consume 21% of the forage. Craig Wallace, owner of Wallace Grains in Sheridan, Ind., testified that his business depended on the horse industry. Wade Beatty, regional manager of the Ag-One Coop in Indianapolis, explained how his farmer-owned coop depended on the horse industry and was important to the community. Charlie Fox, a hay producer in Reddington, Ind., testified that he had experienced a 32% drop in demand for hay in 2003, and a 27% drop in 2004. Kay Lancaster, owner of Northside Trailer in Carmel, Ind., testified that her company had over \$1 million in horse trailer sales last year, and that she expected horse trailer sales to be even greater this year. She noted that the vast majority of her customers were individuals who owned horses for recreational purposes, not for racing. Jeff Neihausser, the general manager of FBI Buildings in Remington, Ind., testified that his company

was very dependent on the horse industry.

Economic impact of other agriculture

Purdue University Professor Allan Gray gave a presentation on the Agricultural Innovation and Commercialization Center, and on the economic impact of possible Indiana legislation concerning biodiesel fuel. Purdue University Professor Kevin McNamara gave a presentation on the impact of agriculture on Indiana's economy. Jerry Nelson gave a presentation on Purdue's New Ventures program to assist agricultural entrepreneurs, and provided the Committee with materials describing Missouri's cooperative incentive tax credit program.

The Dog Tax

Auditor of State Connie Nass gave a brief overview of Indiana's dog tax, noting that the tax was passed originally in 1937 to reimburse farmers for livestock killed by dogs. Because farmers now have insurance, the funds raised by the dog tax are no longer necessary for this purpose, although a \$100,000 portion of the dog tax is used to fund veterinary research at Purdue University. Auditor Nass also testified that collection of the tax is very inconsistent, with some counties making no effort to collect the dog tax at all.

IV. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Committee made no findings of fact.

The Committee made the following recommendations:

The Committee voted 11-0 to recommend passage of PD 3381, as amended, which would make the following changes with respect to the dog tax and related matters:

- Provides for a local option animal companion tax, not to exceed \$5 per animal companion, to maintain or operate animal care facilities.
- Replaces the current state dog tax and kennel fee with a state dog tax imposed at a rate of \$0.50 per dog owned.
- Abolishes the dog census.
- Retains the town option dog tax of \$2 per dog.
- Eliminates the township and county dog funds and the dog account of the state general fund and provides for the disposition of money in the funds and the account.
- Requires reporting of dogs on the state income tax return.
- Establishes the dog tax board (board) and the state dog tax account (account).
- Provides that the board administers the account.
- Requires township trustees to submit animal kill claims to the board.

- Provides for the use of money in the account to pay for: (1) animal kill claims; (2) canine disease research; and (3) canine research and education.

The Committee voted 9-2 to recommend passage of PD 3493, as amended. PD 3493, as amended, permits pull-tabs at racing tracks, with some of the proceeds to be used to support the equine industry, as follows:

- Authorizes the sale of pari-mutuel pull tabs at racetracks and at satellite facilities located in Indianapolis and Fort Wayne.
- Imposes a wagering tax of 32% of the adjusted gross receipts from the sale of pari-mutuel pull tabs.
- Redirects certain riverboat admissions taxes from the horse racing commission to the property tax replacement fund.
- Provides for the annual distribution of pari-mutuel pull tab wagering taxes as follows: (1) the first \$27,205,284 to the horse racing commission to be used in the same manner as riverboat admissions taxes are currently used; and (2) the remainder to the property tax replacement fund. Imposes a horse racing promotion fee of 15% of the adjusted gross receipts from pari-mutuel pull tabs.
- Provides for the distribution of the fees to purses, breed development, and the associations representing owners, breeders, and trainers.

The Committee voted 11-0 to adopt the final report.

WITNESS LIST

Ron Meeusen
BioCrossroads

Bob Kraft
Farm Bureau

Wendy Hoffspiegel
Animal Advocacy Network of Indiana

Betty Fendel
Dubois County Humane Society

Linda Bir-Conn
New Castle Humane Society

Jennifer Londergan
Pets Alive

Mary Lee Pappas

Gary Haynes
State Board of Animal Health

Jerry Walker,
Indiana Horse Racing and Breeding Coalition

Mark Russell
Purdue University

Kevin McNamara
Purdue University

Joe Gorajec
Indiana Horse Racing Commission

Roy Wilson
Hancock County Economic Development Council

Don Eash

Dr. Larry Smith

Martin Bruner

Larry Smallwood
Swifty Farms

Michelle Collins

Claudean Webb

Dr. David Younts
Indiana Equine Practitioners Association

Jim O'Neal
Indiana Forage Council

Craig Wallace
Wallace Grains

Wade Beatty
Ag-One Coop

Charlie Fox

Kay Lancaster
Northside Trailer

Jeff Neihouser
FBI Buildings

Dennis Bialaszewski

Allan Gray
Purdue University

Jerry Nelson
Purdue University

Connie Nass
Auditor of State

Joe Koenig
Indiana Department of Gaming Research